

Finance Update - 22 February 2024

For the Finance and Public Administration Committee

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A. Guide to the Spring Budget Revision

1. The Spring Budget Revision is part of the annual budget process. The budget process for 2023-24 commenced with the publication of the *Scottish Budget* and annual Budget Bill which provided details of the Scottish Government's spending plans. These plans were approved by the Scottish Parliament on 21 February 2023.
2. Once the Budget Act has been approved by the Scottish Parliament, there are usually two opportunities to amend the budget as the year progresses - the Autumn Budget Revision and a Spring Budget Revision.

A.1 Summary of the Spring Budget Revision

3. The Spring Budget Revision is routine parliamentary business that proposes amendments to better align the Government's budget with its planned spending profile. To note, the Spring Budget Revision is based on the portfolios as per Cabinet arrangements when published and therefore does not reflect the portfolio changes made on 8th February. In addition funding allocated reflects the best estimate of expected additional Barnett consequentials arising at UK Supplementary Estimate.
4. The changes proposed in the Spring Budget Revision result in a decrease in the approved budget of £1,746.5 million from £60,205.9 million to £58,459.4 million.
5. The changes to the Budget are broken down in to four main areas:
 - A.2 - Funding changes to reflect deployment of available resources to portfolios (total net increase to the budget of £564.8 million);
 - A.3 - Whitehall transfers and HM Treasury allocations to the Scottish Government (total net increase of £144.4 million); and
 - A.4 - Technical adjustments (net decrease to the budget of £2,455.7 million);
 - A.5 - The transfer of resources between Scottish Government portfolios.
6. The main changes included under each heading are categorised in table 1.2 in the Budget Revision document and summarised below.

Scottish Government Portfolios	Autumn Budget Revision	Funding Changes	Technical Changes	Whitehall transfers	Transfers within Scottish block	Spring Budget Revision
	£'m	£'m	£'m	£'m	£'m	£'m
NHS, Health & Social Care	18,303.3	750.8	(29.1)	87.5	(38.8)	19,073.7
Social Justice	6,662.6	73.3	(21.0)	9.2	(49.6)	6,674.5
WEFWE	1,390.8	(110.3)	0.0	16.0	27.5	1,324.0
Education & Skills	4,731.4	(98.8)	734.9	0.0	(193.1)	5,174.4
Justice	3,220.3	136.7	18.8	0.0	(8.3)	3,367.5
Transport, Net Zero & Just Transition	4,307.8	(217.9)	2.4	0.0	(23.7)	4,068.7
Rural Affairs, Land Reform & Islands	1,173.4	(27.6)	1.4	0.0	(0.9)	1,146.3
CEAC	271.6	7.5	0.0	0.0	(6.6)	272.5
Deputy FM & Finance	12,604.9	29.8	1.0	30.0	280.7	12,946.4
COPFS	198.7	13.3	(2.6)	0.0	0.1	209.5
Scottish Government	52,864.7	556.7	705.7	142.8	(12.7)	54,257.3
Scottish Housing Regulator	6.6	(0.4)	(0.8)	0.0	0.0	5.4
National Records of Scotland	33.3	(0.5)	(0.3)	0.0	0.0	32.5
Office of the Scottish Charity Regulator	3.3	0.0	0.0	0.0	0.0	3.3
Scottish Courts and Tribunals Service	174.1	8.9	0.2	1.6	12.7	197.5
Scottish Fiscal Commission	2.4	0.0	0.1	0.0	0.0	2.5
Revenue Scotland	8.2	0.2	0.0	0.0	0.0	8.4
Registers of Scotland	11.2	0.0	(0.1)	0.0	0.0	11.1
Environmental Standards Scotland	2.9	(0.2)	0.8	0.0	0.0	3.6
Food Standards Scotland	23.0	0.0	0.2	0.0	0.0	23.2
Consumer Scotland	2.4	0.0	0.0	0.0	0.0	2.4
Scottish Teachers and NHS Pensions	6,921.0	0.0	(3,160.2)	0.0	0.0	3,760.8
Scottish Administration	60,053.2	564.7	(2,454.3)	144.4	0.0	58,308.0
Direct Funded Bodies						
Scottish Parliament Corporate Body	134.2	0.1	(1.4)	0.0	0.0	132.9
Audit Scotland	18.5	0.0	0.0	0.0	0.0	18.5
Total Scottish Budget	60,205.9	564.8	(2,455.7)	144.4	0.0	58,459.4

A.2 Funding Changes

7. Funding changes represent additional budget that provides spending power within portfolios and programmes, and some deductions where funding has been returned to the centre for redeployment elsewhere. Table 1.2 provides the funding changes on a net basis by portfolio of £564.8 million, however the gross impact is shown below.

Scottish Government Portfolios	Funding Additions	Funding Reductions	Net Funding Changes
NHS Recovery, Health and Social Care	752.2	(1.4)	750.8
Social Justice	347.5	(274.2)	73.3
Wellbeing Economy, Fair Work and Energy	3.7	(113.9)	(110.3)
Education and Skills	54.1	(153.0)	(98.8)
Justice and Home Affairs	202.3	(65.5)	136.7
Transport, Net Zero and Just Transition	81.6	(299.5)	(217.9)
Rural Affairs, Land Reform and Islands	17.1	(44.8)	(27.6)
Constitution, External Affairs and Culture	7.5	0.0	7.5
Deputy First Minister and Finance	33.6	(3.8)	29.8
Crown Office and Procurator Fiscal Service	15.0	(1.7)	13.3
Scottish Government	1,514.5	(957.9)	556.7
Scottish Housing Regulator	0.1	(0.4)	(0.4)
National Records of Scotland	0.0	(0.5)	(0.5)
Office of the Scottish Charity Regulator	0.0	0.0	0.0
Scottish Courts and Tribunals Service	8.9	0.0	8.9
Scottish Fiscal Commission	0.0	0.0	0.0
Revenue Scotland	0.2	0.0	0.2
Registers of Scotland	0.0	0.0	0.0
Environmental Standards Scotland	0.0	(0.2)	(0.2)
Food Standards Scotland	0.2	(0.2)	0.0
Consumer Scotland	0.0	0.0	0.0
Scottish Teachers' and NHS Pension Schemes	0.0	0.0	0.0
Total Scottish Administration	1,523.8	(959.1)	564.7
Direct Funded Bodies			
Scottish Parliament Corporate Body	0.1	0.0	0.1
Audit Scotland	0.0	0.0	0.0
Total Scottish Budget	1,523.9	(959.1)	564.8

A.2.1 Gross Funding Changes

8. The largest allocation of funding deployed in the budget revision is £752.2 million provided to the **NHS Recovery, Health and Social Care** portfolio as it continues to recover from the impacts of Covid and to support ongoing services. This additional funding includes £514 million of resource and £235 million of capital.
9. Following the SBR, the total portfolio budget provides record Health funding of over £19 billion, supporting recovery and reform to secure sustainable public services.
10. The **Social Justice** portfolio is receiving an additional £41.2 million of resource budget for Ukrainian Resettlement costs as part of the Scottish Government's ongoing commitment to the displaced people of Ukraine.
11. As a broadly demand-led cost, Ukraine Resettlement has proven to be more expensive in 2023-24 than originally forecast due to the popularity of the super sponsor scheme. Work remains ongoing to hold costs as low as possible, but the budget transfer recognises these higher-than-expected costs. By investing a further £41.2m we will continue to provide a high standard of welcome and resettlement support in line with our recent Warm Scots Future policy publication.
12. Within the portfolio Social Security is receiving £284.2 million of funding to meet increases in demand led benefit expenditure following revised forecasts. This funding is the gross amount required for those benefits where forecasts have increased. For benefits where forecast expenditure has decreased the movement has been included as a funding reduction (£232.4 million). The net movement in social security benefit expenditure in this revision is a £51.8 million increase.
13. The Social Security Assistance budgets were revised to align with the independent forecasts from the Scottish Fiscal Commission published in December 2023, with two exceptions. We seek to inform budget revisions using the most up to date information available. The Scottish Fiscal Commission's forecasts for Adult Disability Payment and Child Disability Payment informed the budget revision but were supplemented with new information that became available after publication of the Scottish Fiscal Commission forecasts but before Spring Budget Revision was finalised.
14. Social Security have received an additional £17.9m of capital funding to support ongoing capital projects.
15. The **Education and Skills portfolio** is receiving additional funding of £54.1 million. The largest element of this relates to £29.8 million being provided to the Scottish Qualifications Authority to support its ongoing activities.
16. Additional resource funding of £4.7 has been provided to Disclosure Scotland to support delivery of the Disclosure Act, which focuses on safeguarding children and vulnerable adults, while balancing the need for people with convictions to move on and contribute to society, with an additional £3.2 million of capital funding provided to support ongoing IT capital projects.

17. Education Scotland have received additional funding of £4.1 million to cover pay awards and operating pressures.
18. To support delivery of services across Scotland, the Scottish Children's Reporter Administration (£2.9m), Scottish Social Services Council (£2.4m) and Children's Hearings Scotland (£1.3m) have all received additional funding.
19. The **Justice and Home Affairs** portfolio has received £202.3 million of funding additions with the budget revision. The largest element is the £134.2 million being provided to Police and Fire Pensions. This is a volatile demand led budget with additional budget pressure beyond the core allocation managed in year. Additional budget was provided at Autumn Budget Revision and there may be material movements in this position between now and the end of the financial year given the demand led nature.
20. There will always be volatility in this demand led budgets which will continue to require in-year management. However, to minimise the scale of in-year funding adjustments required the budget for police pensions is increasing by £190 million in the 2024/25 Scottish Budget. This follows a £37 million increase to the Fire Pensions baseline budget in 2023/24.
21. Scottish Prison Service is receiving an additional £22.9 million of funding to help fund cost pressures. This additional funding requirement comes from a combination of the pay award and operational pressures primarily relating to an increased prison population. Scottish Police Authority have been provided with an additional £21 million to meet the SPA pay award.
22. Additional funding of £3.5 million has been provided to support the growing pressure on the Criminal Injuries Compensation Authority as caseloads increase, and £4 million of capital has been provided to support the Airwave and Firelink telecommunications service within Police Central Government.
23. £4.4m has been provided to Scottish Fire and Rescue Service to cover the additional costs of the Fire Fighters pay award
24. The **Transport, Net Zero and Just Transition** portfolio is receiving additional funding of £81.6 million. The vast majority of this is being provided as additional borrowing capacity for Scottish Water.
25. Within the **Deputy First Minister and Finance** portfolio, Local Government is receiving additional funding of £15 million to cover the estimated costs of the Bellwin Scheme in 2023-24. The Bellwin Scheme allows Scottish Ministers to make additional revenue support to local authorities in the aftermath of emergency incidents to assist with immediate and unforeseen costs. It was implemented in 2023-24 following significant storm damage, including amongst others the impact of Storm Babet.
26. £4.75 million has been provided to Organisation Readiness in respect of the COVID-19 Inquiry. Having established a statutory public inquiry, ministers have a legal obligation to meet its costs and this transfer provides the remaining budget required by the Scottish COVID-19 Inquiry for the 2023-24 financial year.
27. Scottish Public Pensions Agency have been provided with an additional £3 million to support pay awards and costs of the Remedy capital project.

28. Note that an additional £24.3 million has been provided to support the **Corporate Running Costs** of the Scottish Government. The change in Corporate Running Costs budget represents a planned transfer in relation to investment in the Scottish Government's corporate transformation programme, as well as funding of demand-driven budgets across the Scottish Government's corporate services. This funding has been split proportionally across all portfolios based on existing operating cost budgets and is included within the funding additions.

29. **Scottish Courts and Tribunals Service** are receiving additional funding of £8.9 million. £4.4m has been provided to support pay and £2.6m provided to support the replacement of the current case management system.

30. Additional gross funding changes include;

- £3 million to the Scottish Funding Council to support operational costs.
- £5.8 million of Crown Estate income has been recognised. This amount has been passed directly to Marine for onward distribution to Local Government to reflect the Coastal Communities commitments.

A.2.2 Reductions to Portfolios

31. In response to the UK Autumn Statement in November, savings of £680.3 million were set out by the Deputy First Minister to support inflationary pressures and fair public sector pay deals. The statement outlined a route to balancing the 2023-24 budget and the SBR incorporates the decisions taken.
32. £959.1 million of savings and other deductions have been included in the SBR. These have been realised through a combination of active management of demand led spending and proactive savings, including the measures set out by DFM in November. Included in Annex A is a reconciliation between the savings detailed in the Deputy First Minister's letter to the committee of 21 November 2023 and those included within the Spring Budget Revision
33. The **Social Justice** portfolio includes £274.2 million of funding reductions of which £232.4 million relates to reductions in Social Security benefit expenditure forecasts as noted in paragraph 12 above.
34. Further material capital savings have been generated in Cladding (£18.4 million) and Housing (£10.3 million) as part of the extensive savings exercises.
35. The **Wellbeing Economy, Fair Work and Energy** portfolio includes £113.9 million of savings which are driven by the amounts detailed in the Deputy First Ministers letter. The vast majority of these relate to capital grant savings in Energy Industries (£34.6 million) and in City Investments (£48.4 million). As outlined in the letter the release of this budget is due to delayed delivery of programmes which are being reprofiled into future years, subject to budget availability.
36. £10 million of savings relate to Employability Services which, as previously outlined, have been taken from areas that will have the least impact on service users protecting front line services.
37. Further savings have been generated from the Highland and Islands with regards settlement income of £9 million following the out of court settlement received in respect of the original design and build of Cairngorm Funicular Railway.
38. The **Transport, Net Zero and Just Transition** portfolio have provided £299.5 million of funding as part of the process of active management and reprioritisation of funding, to support the overall financial position. Of this, £191.1 million relates to indirect capital funding which was outlined in the letter to the committee.
39. £87.6 million of these savings have materialised in the Energy Efficiency & Decarbonisation budget lines. This is a combination of loan income received in the year (£45 million) capital expenditure slippage on various heat in buildings projects (£38 million) and related resource savings (£4.5 million) The remaining £16 million of savings relates to Financial Transactions budget lines where demand has not met initial expectations.
40. £75 million of savings are realised from Vessels and Piers in Ferry Services. £41 million relates to the Small Vessels Replacement Programme phase 1 with estimated spend being reprofiled allowing time to fully consider the business case work, vessels design criteria, and help ensure alignment of the related shore power and port improvement works.

41. The remaining £34 million relates to a reprofiling of estimated spend on major port works at Uig, Ardrossan and Gourock. The forecast spend on major port works at Uig has been updated to match committed project profile, with no impact on delivery timeframe. The profiled spend on port works at Ardrossan and Gourock have been reprofiled as a result of ongoing business case, programme, and cost reviews to help deliver value for money.
42. £51.4 million has been realised through reductions in funding provided for the Future Transport Fund. This budget has been released following a review of demand and deliverability in the financial year.
43. The **Education and Skills** portfolio have allocated funding of £153 million to other areas. £54.2 million is in relation to the Teachers' Pay Awards funding advanced to Local Government at ABR on behalf of the Learning Directorate. £25.6 million has been provided by Higher Education and Student Loans as a result of lower than anticipated applications in year.
44. Scottish Funding Council have released funding of £26 million to support the overall position. These accumulated savings are from a wide range of demand-led and other budgets. £10.9 million has been provided by Children & Families in relation to unallocated Whole Family Wellbeing Funding.
45. Lifelong Learning and Skills have provided funding of £12.8 million relating to agreed savings from demand-led Education Maintenance Allowance, Community Learning and Development, and Skills to contribute towards other SG priorities.
46. Technologies for Learning have provided £13 million of capital and £1 million of resource savings with no spend taking place in 2023-24. This pause will allow for an ongoing review of delivery models to ensure maximum return on investment.
47. The **Justice and Home Affairs** portfolio have funding reductions of £65.5 million. Of this, £41 million relates to capital funding for the HMP Highland & HMP Glasgow project, which will be reprofiled into future years due to continuing challenges in the construction market.
48. Police Central Government have provided savings of £9.9 million, £4 million of which relates to the reduced requirement for Blue Light Reform funding as work is now expected to take place in future years following the completion of a detailed business case.
49. As outlined in paragraphs 12 and 13 there has been significant movement in social security benefit expenditure forecasts. The net movement of £73.3 million includes £232.4 million of funding reductions for those benefits which have seen forecasts decrease.
50. **Rural Affairs, Land Reform and Islands** have provided funding of £44.7 million to support the overall position. Scottish Forestry have provided £9 million of indirect capital funding as a result of lower than anticipated planting with the initial planting target not being achieved.
51. Agricultural Support and Related Services have provided funding of £22.1 million as previously announced in November by DFM which will be returned to the portfolio in future years in conjunction with timing of capital budget investment.

52. An additional £5 million of financial transactions funding has been provided as a result of prior year farmers loans being received.

53. Marine have provided funding of £4 million, £3 million of which was previously announced in November, with an additional £1 million of savings from enhanced recruitment controls, maximising income and continuing to deliver operational efficiencies.

A.3 Whitehall Transfers

54. There are nine specific Whitehall transfers and allocations from HM Treasury recognised at the Spring Budget Revision. The net positive impact on the Scottish Budget is £144.4 million.
55. The largest of the Whitehall transfers is the £85.6 million being provided to the **NHS Recovery, Health and Social care** portfolio from the UK Health Security Agency for Scotland's share of Test and Protect funding. The portfolio is also receiving a transfer of £2.5 million which is providing interim payments to all new members of the Scottish infected blood support scheme.
56. The **Social Justice** portfolio has received £9.232 million in Whitehall transfers. The Ukrainian Resettlement is receiving two transfers. The first is a transfer of £8.074 million for Thank You Payments, and the second a transfer of £0.082 million for the Children and Young People fund.
57. A transfer of £1.076 million is also being provided to the **Social Justice** portfolio for the Debt Advice Levy. This will be used to fund essential debt advice services provided by a range of organisations across Scotland as per the requirements of HM Treasury.
58. Within the **Deputy First Minister and Finance** portfolio, Local Government is receiving a transfer of £30 million in relation to the Ukrainian Resettlement programme.
59. The **Wellbeing Economy, Fair Work and Energy** portfolio is receiving a transfer of £15.985 million to provide funding to support the R100 Programme under Digital Connectivity.
60. **Scottish Courts and Tribunals Service** are receiving a transfer of £1.6 million relating to the devolution of Personal Independence Payment appeals from HMCTS.

A.4 Technical Adjustments

61. In line with past years, the Spring Budget Revision recognises a number of technical changes which are essentially budget neutral and do not provide additional spending power for, or detriment to, the Scottish Government. The net total changes in this year's Spring Budget Revision are a decrease of £2,455.7 million and are summarised below.
62. The largest technical change is the £3.16 billion decrease in the AME non-cash provision for NHS and Teachers pension costs. The decrease in required budget has resulted from a reduced opening pensions liability and a reduced service cost for both the Scottish Teachers Pension Scheme and the NHS Scotland Pension Scheme.
63. The reduced service cost is a direct result of the increase in discount rate from 1.55% to 4.15% as specified by HM Treasury in the Public Expenditure System paper in 2022
64. Within the **Education and Skills** portfolio there have been two technical adjustments in relation to student loans, totalling £734.1 million. The first is an adjustment of £419.9 million relating to a fair value adjustment and a revised estimate of the capitalised interest requirement.
65. The second adjustment of £314.2 million relates to an increase in the student loans non cash Resource Accounting & Budgeting (RAB) charge requirement. The RAB charge is a non-cash adjustment to reflect a change in valuation which considers the extent to which student loans issued to Scottish students will be repaid.
66. Additional budget cover has been provided for Private Finance Initiatives (PFI) projects in **NHS Recovery, Health and Social Care** of £48.1 million. This technical change falls outside of UK Budget limits and is provided to align the Scottish Budget with accounting requirements.

IFRS16 adjustments:

67. Following the implementation of International Financial Reporting Standard 16 ('IFRS 16') by the International Accounting Standards Board (IASB) the accounting treatment of leases has been significantly altered.
68. Previously a distinction was made between finance leases, where ownership transfers upon conclusion of the lease agreement, and operating leases, where ownership does not transfer. A finance lease was considered to be an asset of the lessee. The asset was recognised on the entity's balance sheet with a corresponding liability also recognised. An operating lease did not consider the lessee to own the asset. Neither the asset or the corresponding liability was recognised on the entities balance sheet and the annual rental fee was included as a resource costs.
69. IFRS 16 removes this distinction. If an entity enters a lease where it has a right-of-use ('ROU') over an asset it must be recognised on the entity's balance sheet as an asset with the corresponding liability over the agreed length of lease.
70. As discussed with the committee as part of last year's budget revision the Scottish Government transitioned to IFRS 16 in 2022-23 with budgets adjusted to align with the new accounting

treatment. We are currently in the second of a three-year transition period with budget applied in-year to reflect the changes. The net total changes as a result of IFRS 16 are **(£107 million)**.

A.5 Internal Transfers

71. There are several internal transfers within the Scottish Block as part of the Spring Budget Revision process. Transfers between and within portfolios are 'zero-sum'. The majority of internal transfers are moving budgets from the policy lead area, based on policy accountability at official level, to the appropriate delivery body.

72. The significant internal budget transfers between portfolios include:

- Transfer from Education & Skills to Local Government within the Deputy First Minister & Finance portfolio to support the expansion of Free School Meals (£139.7 million).
- Transfer from Education & Skills to Local Government within Deputy First Minister & Finance to support teacher training and the employment of teachers on permanent contracts (£60.5 million).
- Transfer from Social Justice to Local Government within the Deputy First Minister & Finance portfolio to support local authorities with funding for the Scottish Welfare Fund (£40.8 million).
- Transfer from Health & Social Care to Education & Skills to fund additional places for Medical, Nursing and Midwifery Students in Scotland 2023/24 (£25.1 million).
- Transfer from Education & Skills to Local Government within the Deputy First Minister & Finance portfolio to provide funding for the delivery of Kinship Foster Care Allowances (£16 million).
- Transfer from Transport Net Zero & Just Transition to Wellbeing Economy, Fair Work & Energy portfolio to support CARES Programme (£10.2 million).

B. Funding Position

73. There have been several changes to the Scottish Government's funding position since the conclusion of the Autumn Budget Revision (ABR). Tables 1.7c, 1.7d and 1.7e of the SBR supporting document provide a detailed breakdown of the discretionary funding movements between the ABR position and the estimated position which underpinned the Spring Budget Revision at the time of its publication on 1st February 2024.
74. These tables also show any differences between this estimated funding availability and the revised budget allocations following the Budget Revision. In the case of the 2023-24 SBR the Fiscal Resource Position is fully allocated, the Capital position contains £111.5 million of unallocated funding (which can be carried forward through the Scotland Reserve) and there are £5m of unallocated Financial Transactions.
75. The *allocations* in the Spring Budget Revision represent the final Scottish Budget for 2023-24 and the variances against these allocations will be presented in the Scottish Government accounts. However, the Scottish Government *funding position* will continue to change and will not be finalised until the very end of the financial year. The expenditure against the Scottish Government's **final** funding position will determine the outcome of the provisional and final outturn for 2023-24 and Scotland Reserve position.
76. The purpose of this section is to provide further analysis of how the funding position has moved between the Autumn and Spring Budget Revisions and also details subsequent movements which have been confirmed since. Table B1 below provides a full disclosure of all items of the Scottish Government funding envelope as it has changed through the year – this is essentially an expanded, and more up to date (as at 22 February 2024), version of the funding tables provided in the Spring Budget Revision document.

B.1 Fiscal Resource

77. Table B.1 details the full breakdown of the Fiscal Resource funding position and the movements since the Autumn Budget Revision. The total improvement in resource funding between the Scottish Budget and the Spring Budget Revision was estimated to be £840.6 million with all this being allocated to support the Spring Budget Revision.
78. The largest individual movement in resource funding relates to the increase in Barnett Consequentials. At the time of the SBR publication this was estimated to be £543.1 million. £223 million of this was included as part of the UK Autumn Fiscal Event and was almost entirely driven by increased allocations to Health and Social Care.
79. The balancing £320 million was based on the Scottish Government assessment of what the final Barnett Supplementary Estimate could be when it was confirmed **after** the SBR was published. This estimate was based on informal information from HM Treasury officials and discussion between the Chief Secretary to the Treasury and the Deputy First Minister at previous Finance Interministerial Standing Committees. As this was an estimated figure of the totality of Barnett consequentials there was no indication as to the breakdown by applicable UK Department.

80. The final Supplementary Estimate position was confirmed end February 2024 and this included additional Barnett consequentials funding of £123.3 million over and above what was reflected in the published document. This position is now locked for the Financial Year.
81. For Income Tax both the forecast receipts and the associated block grant adjustments are “locked” for the year when the Budget was initially set. Variances from these forecasts to outturn in will be reflected in reconciliations crystallising in 2026-27 in line with the usual three-year deferral process.
82. For block grant adjustments in relation to social security and devolved taxes, there is an in-year adjustment applied based on the UK Autumn Fiscal Event. This position (as reflected in the SBR) will now lock for the financial year for the purposes of both the 2023-24 Scottish Budget and determining the outturn for 2023-24. Final outturn variances on these BGAs will be applied to the 2025-26 Scottish Budget in line with the usual two-year deferral process.
83. Unlike the BGAs, final social security payments and devolved tax payments and receipts will be reflected in the outturn for 2023-24. Whilst the latest forecasts are included in the Spring Budget Revision the position remains volatile. The forecasts which are currently included are broadly in line with the Scottish Fiscal Commission forecasts in December, with exceptions where additional two months of outturn data has warranted making a material change. Social security differences are outlined in section A2.1 above, devolved taxes are now forecast to be c£15m less than forecast by the SFC in December, nonetheless the net position on devolved taxes has still improved by over £20 million since the 2023-24 Scottish Budget was originally set.
84. Other changes to the Resource Funding position include an additional £41 million of income from the Immigration Health Surcharge compared to the forecast the Scottish Government assumed at the setting of the Scottish Budget. This income is collected by the UK Home office and re-distributed to Devolved Governments on a Barnett basis in arrears via the Mains and Supplementary Estimate process.
85. The Scotland Reserve Resource position has improved by £71 million following the conclusion of the 2022-23 final outturn process. This primarily relates to a timing difference between years arising from a different audit interpretation of the budgeting and accounting for a contract from treatment of patients from other boards areas by NHS Glasgow. Refinements to the final outturn process following the publishing of the SBR has been reflected in the £1 million reduction in Scotland Reserve carry forward.
86. £131m of transfers are included from HMT or other UK departments. These are for the most part like for like transfers which are also included in the allocations in the budget revision ie £38 million of Ukraine thank you payments and home fund allocations and £86 million of UKHSA Budget cover transfers included in the revised allocation to Health and Social Care.
87. The remaining items include a reduction in forecast income from the King’s Lord Treasurer Remembrancer (-£5 million), £11 million of non Scotwind related Crown Estate Income, £1 million of resource City Deals funding and a negative adjustment of (-£17 million) relating to IFRS 16 resource funding requirements.

Table B.1 Fiscal Resource (£m)	Scottish Budget Bill	Confirmed changes (ABR)	Confirmed Changes (SBR)	Assumed Supps Position	SBR Funding Position	Changes following SBR	Projected funding
Barnett	36,022.7	94.8	223.0	320.1	36,660.6	123.3	36,783.9
Ringfenced Funding (HMT)	714.7				714.7		714.7
Total UK Settlement (A)	36,737.4	94.8	223.0	320.1	37,375.3	123.3	37,498.6
Social Security Block Grant Adjustment	4,360.4		44.5		4,404.9		4,404.9
Block Grant Adjustment for Taxes and Non-Tax Income	(16,130.9)		1.4		(16,129.5)		(16,129.5)
Scottish Income Tax	15,810.0				15,810.0		15,810.0
Land and Buildings Transaction Tax	773.2		24.5		797.7		797.7
Scottish Landfill Tax	79.4		(5.2)		74.2		74.2
Non-Tax Income	25.0				25.0		25.0
Net Budget Adjustment for Social Security, Taxes and Non-Tax Income (B)	4,917.1	0.0	65.2	0.0	4,982.3	0.0	4,982.3
Reconciliations	45.6				45.6		45.6
Resource Borrowing	41.3				41.3		41.3
Resource Borrowing Costs	(120.3)	6.4			(113.9)		(113.9)
Capital Borrowing Costs	(112.5)	9.7			(102.8)		(102.8)
Scotwind	310.0				310.0		310.0
Scotland Reserve	0.0	180.6	70.2		250.8	(1.0)	249.8
Migrant Surcharge	120.0		40.7		160.7		160.7
KLTR	5.0		(5.0)		0.0		0.0
Other	0.0	20.2	(5.0)		15.2		15.2
Spillover	0.0				0.0		0.0
Machinery of Government/BCT	0.0	13.2	131.4		144.7		144.7
Total Other Income	289.2	230.1	232.3	0.0	751.6	(1.0)	750.6
Total Fiscal Resource Funding	41,943.7	324.9	520.5	320.1	43,109.3	122.3	43,231.5
Total Fiscal Resource Budgeted Spend	41,943.7	324.3	841.3		43,109.3		43,109.3
Unallocated Funding	0.0	0.6	(320.7)	320.1	(0.0)	122.3	122.2

B.2 Capital

88. Table B.2 details the full breakdown of the Capital funding position and the movements since the Autumn Budget Revision. At the time of the Spring Budget Revision being published capital funding has reduced by £33 million as a result of the following changes.

89. Indicative information on the Capital Barnett position provided by HM Treasury just prior to the publication of the Spring Budget Revision suggested an additional Barnett assumption £115 million higher than the ABR position (higher than had been anticipated – on the basis of previous discussions, negative consequential had been expected). Budget management strategy had actively managed down spending based on an expected Block Grant position that was lower than has proved to be the case. The improved position has allowed the Capital Borrowing requirement to be reduced, by £150 million from £450 million, to a level approaching the policy target for sustainable borrowing within the cap.

90. Other Capital Funding changes include the Whitehall transfer of £16 million as included in the revised SBR allocations (para 25 above) for the R100 Digital Connectivity programme. The City Deal drawdown has also been reduced by £18.5 million reflecting a reprofiling of this funding into future years. Scotland Reserve Capital funding availability had increased by £4.9 million as progress was made on the 2022-23 final outturn position.

91. Following the finalisation of the UK Supplementary Estimate the final Barnett figure was £5.1 million lower than the assumed position,. Further refinement to the 2022-23 final outturn position has increased the carry forward by £2.5 million. The overall decrease in capital funding since the SBR publication is therefore £2.6 million

92. The unallocated Capital Funding of £111.5 million at the time of the Spring Budget Revision has therefore decreased to £108.9 million following the conclusion of the Supplementary Estimates process. This level of unallocated funding is being carried forward to support the capital budget in 2024-25.

Table B.2	Scottish Budget Bill	Confirmed changes (ABR)	Confirmed Changes (SBR)	Assumed Supps Position	SBR Funding Position	Changes following SBR	Projected funding
Capital (£m)							
Barnett - CDEL	4,757.1	24.5		114.5	4,896.1	(10.9)	4,885.2
Ringfenced Funding (HMT)	632.2				632.2		632.2
Capital Borrowing	450.0		(150.0)		300.0		300.0
Scotland Reserve	0.0	24.7	4.9		29.6	2.5	32.1
Fossil Fuel Levy	0.0				0.0		0.0
City Deals	100.4		(18.5)		81.9		81.9
Other		1.1	15.9		16.9	5.8	22.7
Total Capital Funding	5,939.7	50.3	(147.7)	114.5	5,956.7	(2.6)	5,954.1
Total Capital Budgeted Spend	5,939.7	50.1	(144.6)	0.0	5,845.2	0.0	5,845.2
Unallocated Funding	0.0	0.2	(3.2)	114.5	111.5	(2.6)	108.9

B.3 Financial Transactions

93. The Financial Transaction position deteriorated by £29 million between ABR and SBR.

94. The indicative Supplementary Estimate position was a £22 million reduction in Barnett funding, which was revised to a £76 million reduction following the conclusion of Supplementary Estimate process. Given the scale of the late increase in the FT reduction as a proportion of the total FT settlement it has been agreed that the Scottish Government can defer £53 million of the negative consequentials into 2024-25 to allow more effective management of the impact.

95. The Scotland Reserve FT funding availability increased by £5 million following the conclusion of the 2022-23 final outturn.

96. The final (£12m) change is a reversal of a balancing adjustment which was included as part of the Autumn Budget Revision.

97. As a result of the agreeing the deferral of the late negative consequentials, the final change to the FT position is a decrease of £1 million in the unallocated provision, with this funding carried forward to partially offset the reduction in funding in 2024-25.

Table B.3 Financial Transactions (£m)	Scottish Budget Bill	Confirmed changes (ABR)	Confirmed Changes (SBR)	Assumed Supps Position	SBR Funding Position	Changes following SBR	Projected funding
Barnett - FTs	185.6			(22.3)	163.3	(1.0)	162.3
Scotland Reserve	50.4	(11.0)	5.1		44.5	0.1	44.5
Other	187.6	12.0	(12.0)		187.6		187.6
Total FT Funding	423.6	1.0	(6.9)	(22.3)	395.4	(0.9)	394.4
Total FT Budgeted Spend	423.6	0.0	(33.3)	0.0	390.3	0.0	390.3
Unallocated Funding	0.0	1.0	4.0		5.0	(0.9)	4.1

B.4 Scotland Reserve

98. The current forecast Scotland Reserve position following the final outturn is detailed below. This reflects the revised drawdowns as part of the Spring Budget Revision described in the sections above.

	Resource	Capital	FTs	Total
	£m	£m	£m	£m
2022-23 Opening balance - Final Outturn	(604.7)	(81.1)	(13.6)	(699.4)
2022-23 Drawdowns	604.7	81.1	13.6	699.4
2022-23 Additions (final outturn)	(249.9)	(32.1)	(44.5)	(326.5)
2022-23 Closing balance (final outturn)	(249.9)	(32.1)	(44.5)	(326.5)
2023-24 Opening balance (final outturn)	(249.9)	(32.1)	(44.5)	(326.5)
2023-24 Planned Drawdowns (SBR)	249.9	32.1	44.5	326.5
2023-24 Additions	-	-	-	-
2023-24 Closing balance	-	-	-	-

99. In general terms the Scottish Government will always plan to drawdown any Scotland Reserve availability in full each financial year. As previous iterations of the Medium-Term Financial Strategy have set out this ensures that maximum fiscal flexibility is maintained without compromising the Scotland Reserve's capacity to absorb any volatility in spending late in the financial year.

100. Following the conclusion of the Fiscal Framework Review the Scotland Reserve cap will now grow in line with the inflation (as measured by the GDP deflator) from its current £700 million threshold. In addition the drawdown limits of £250 million on Resource and £100 million on Capital will cease to apply.

101. With these limited additional flexibilities, it is possible that over time the Scotland Reserve could become more of a genuine reserve of funds. However, the pressures on the funding position mean it is likely that the existing approach of utilising all carry forward availability in the subsequent financial year will continue to be necessary. The Scottish Government will provide more details on the policy approach to the Scotland Reserve at the next Medium Term Financial Strategy.

C. Update on the Verity House Agreement.

102. In its report on the Autumn Budget Revision the committee asked for an update on the progress of the Verity House Agreement ('VHA').
103. The Scottish Government published its 2024-25 Budget on 19 December 2023. As part of the budget document £1 billion of ring-fenced funding which had previously been held within portfolios was baselined into the local government settlement. Details of these amounts are included below and will ensure there is no requirement for these to be managed as in-year transfers, simplifying the budget revision process.
- £521.9 million for Early Learning & Childcare Expansion
 - £333.5 million for Living Wage
 - £42.3 million for Free Personal and Nursing Care
 - £42.2 million for Free School Meals Intervention
 - £2.8 million for Free Sanitary Products in Public Places
 - £2.4 million for Local Heat and Energy Efficiency Strategies
 - £2.1 million for Free Sanitary Products in Schools
 - £2 million for Community Justice Partnership Funding
 - £1 million Former Housing Support
 - £0.7 million for the Blue Badge Scheme
104. The baselining of these amounts in the 2024-25 Scottish Budget highlights our commitment to the VHA which will continue as work begins on the 2025-26 Scottish Budget. This is an ongoing process which the Scottish Government is fully committed to it. The Scottish Government agreed to the baselining of these amounts prior to any formal agreement on the Accountability and Assurance Framework with COSLA.
105. Scottish Government will continue to work with COSLA to further develop and agree a Fiscal Framework between the Scottish Government and Local Government which will support alignment of shared priorities, enhance the fiscal empowerment of local government; and, a Shared Programme, Outcomes, Monitoring and Accountability Framework enabling better collaboration to jointly deliver our shared priorities. This will include exploration of opportunities for further funding from portfolios to be baselined into the General Revenue Grant.

D. Additional Transparency

106. In response to the Committee request for alternative Budget comparator information an additional Annex to the budget documentation was published on 31 January ([Additional Disclosure of Prior Year Comparative Information](#)).

107. Updated information for 2023-24 is presented at Annex B that includes the impact of SBR changes, allowing further analysis of how individual Level 3 budget lines have changed over the course of the year. As before the workbook presents an analysis of the comparator information requested down to the Level 3 budgets set out in the main Budget document.

108. A summary table of that data is presented below showing the combined impact of in year movements at portfolio level.

	Budget Bill (following Portfolio Reshuffle)	IFRS 16	Internal Transfers	Funding	Spring Budget Revision
Audit Scotland	12.2	6.3	-	-	18.5
Constitution, External Affairs and Culture	313.1	0.5	1.5	17.2	329.3
Crown Office & Procurator Fiscal	196.6	4.4	0.1	8.4	209.5
Deputy First Minister and Finance	19,467.6	4.7	1,176.8	-2,803.8	17,845.3
Education and Skills	4,178.9	3.5	-284.7	670.2	4,567.9
Justice and Home Affairs	3,354.0	16.5	10.8	313.4	3,694.8
NHS Recovery, Health & Social Care	18,754.7	60.6	-718.4	920.5	19,017.3
Rural Affairs, Land Reform and Islands	1,169.7	1.4	-18.6	-64.4	1,088.0
Scottish Parliament	134.2	-	-	-1.3	132.9
Social Justice	6,608.0	-3.0	-143.7	95.5	6,556.7
Transport, Net Zero & Just Transition	4,266.5	98.0	-69.4	-236.7	4,058.4
Wellbeing Economy, Fair Work & Energy	1,361.7	5.0	48.7	23.7	1,439.0
Grand Total	59,817.1	197.7	0.0	-1,057.3	58,957.5

Annex A – Progress against savings targets outlined in DFM’s letter

Portfolio by Budget Line	Resource £m	Capital £m	Included within ABR £m	Included in the SBR £m	Amounts still to be realised £m
NHS Recovery, Health and Social Care	72.3	0	72.3	0	0
Chief Scientist Office - Research	1	0	1	0	0
Various	4.2	0	4.2	0	0
Digital health and care	11.6	0	11.6	0	0
Health workforce - Expansion Posts	3	0	3	0	0
Mental Health Recovery and Renewal Fund	22.4	0	22.4	0	0
Mental Health Transformation Fund	7.5	0	7.5	0	0
Public Health capabilities - Immunisations	7	0	7	0	0
Primary Care Reform and Delivery	11.6	0	11.6	0	0
Revenue consequences of Non-Profit Distribution Schemes	2	0	2	0	0
Board Recovery/Corporate Governance	2	0	2	0	0
Social Justice	0	2.5	0	2.5	0
Fairer Scotland	0	2.5	0	2.5	
Wellbeing Economy Fair Work and Energy	19	45	10	54	0
Employability	10	0	10	0	0
Highlands and Islands settlement income	9	0	0	9	0
City & Region Deals	0	15	0	15	0
Energy Industries	0	30	0	30	0
Justice	7.5	20	0	27.5	0
Other National Funding – Justice Reform	4	0	0	4	0
Justice Other	1.5	0	0	1.5	0
Other National Funding	2	0	0	2	0
Scottish Prison Service	0	20	0	20	0
Education and Skills	152.4	13	54.5	74.6	36.3
Lifelong Learning and Skills: various	17.3	0	0	8.7	8.6*
Scottish Funding Council	102	0	46	26	30**
Education Maintenance Allowance (EMA)	4.3	0	2.3	2	0
Higher Education International Activity	6.2	0	6.2	0	0
Technologies for Learning	1	13	0	14	0
Student Award Agency Scotland	21.6	0	0	21.6	0

Transport, Net Zero & Just Transition	0	146.3	0	137.3	9
Vessels and Piers – small vessels replacement programme	0	41	0	41	0
Vessels and Piers – port works	0	34	0	34	0
Future Transport Fund	0	10.5	0	10.5	0
Motorway & Trunk Roads Capital Land and Works	0	13.8	0	13.8	0
Heat in Buildings (expenditure and income)	0	47	0	38	9***
Rural Affairs, Land Reform and Islands	43.1	0	25	18.1	0
Forestry and Land Scotland	6	0	6	0	0
Scottish Forestry	3	0	3	0	0
Agricultural Support and Related Service – Various Schemes (AECs, Pillar 1, Business Development)	21.1	0	10	11.1	0
Agricultural Support and Related Services – EU Income	2	0	0	2	0
Agricultural Support and Related Services – Agricultural Reform Programme	8	0	4	4	0
Marine Scotland	3	0	2	1	0
Natural Resources		0	2.3	0	0
Funding adjustments	94.8	62.1	120.3	36.6	0
Consequentials	94.8	62.1	120.3	36.6	0
Total Budget savings outlined in letter	391.4	288.9	284.4	350.6	45.3

* Savings target not fully achieved by Lifelong Learning but has been achieved elsewhere within the portfolio

** The Scottish Funding Council were unable to fully meet their savings target in time to reflect these savings within the Spring Budget Revision. They are continuing to work towards bridging this gap ahead of the end of the financial year

*** Saving target not fully achieved by Heat in Buildings has been achieved elsewhere within the portfolio

The tables above show's portfolios progress against the savings targets outlined in the Deputy First Minister's letter to the FPAC on 21 November 2023. Where a portfolio has exceeded its savings target in an individual budget line the amounts in excess have not been included within the table above and reported within the Spring Budget Revision.



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